

# EUROPEAN POLICYBRIEF



## SOCIAL ENTERPRISES, SOCIAL INCLUSION AND POSITIVE SOCIAL CHANGE

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### INTRODUCTION

Social enterprises – organisations that use market based-based activities to alleviate societal needs – and social entrepreneurs – individuals working for their own account to pursue prosocial goals to benefit others – work to address societal challenges such as social inequalities and exclusion. But how can social enterprises be a force for greater social inclusion and positive social change?

This policy brief summarizes relevant evidence from two perspectives.

First, from the perspective of the individual social entrepreneur by asking whether we may see greater inclusiveness in terms of who becomes a social entrepreneur. This perspective also explores whether social and commercial entrepreneurship may compete for the same entrepreneurially talented individuals.

Second, from the perspective of the organisation, i.e. the social enterprise, by asking what are the mechanisms and strategies through which social enterprises may stimulate positive social change towards inclusive societies.

### EVIDENCE AND ANALYSIS

#### Methodology

Large-scale population representative data on social entrepreneurs was analysed (specifically, the Global Entrepreneurship Monitor) to derive insights about individual social entrepreneurs in comparison with commercial entrepreneurs and those in salaried employment. These analyses focus on inclusiveness with respect to gender, age and education and control for a range of alternative explanations (for details see Estrin, Mickiewicz & Stephan, 2016; Hoogendorn, de Kok,

Stephan, Uhlaner & van der Zwan, 2016). Additional evidence comes from the analyses of the SELUSI study (SEFORIS' predecessor) to further unpack gender differences at the top of social enterprises with regard to pay and well-being (job satisfaction, Estrin, Stephan & Vujic, 2014). Details are reported in the papers listed under 'further reading' at the end of this policy brief.

With regard to the second perspective, a systematic review taking stock of 20 years of available empirical evidence was conducted. The review considered relevant empirical studies across academic disciplines as long as they provided evidence on the actions and mechanisms through which organisations stimulated positive change. Both successful and failed attempts to create social impact were considered to avoid possible success biases. The review covers 144 studies. These were filtered from over 10,000 sources, which in turn had been identified through systematic searches of the academic and practitioner literatures. Details are reported in Stephan, Patterson, Kelly and Mair (2016, see papers listed under 'further reading'.)

The results are summarized separately for the two perspectives and research questions.

## Findings

### Is social entrepreneurship an inclusive form of entrepreneurship in terms of who starts a social enterprise and becomes the director of a social enterprise?

This question was investigated for three aspects of inclusiveness: Gender, Age and Education (Human Capital). Other dimensions are undoubtedly important too and we hope future research will explore further aspects of diversity.

**Gender.** Both evidence from the SELUSI<sup>1</sup>/SEFORIS survey<sup>2</sup> and from the analysis of Global Entrepreneurship Monitor data suggests that there is a greater share of women at the top of social enterprises compared to commercial start-ups and businesses (Estrin, Vujic & Stephan, 2014; Estrin, Mickiewicz & Stephan, 2016). However, some *gender* gap to the disadvantage of women also persists in social entrepreneurship in most countries, even though this gap is small compared to commercial entrepreneurship.

Yet there is an important nuance. We find a significant gender pay gap for male and female social entrepreneurs to the disadvantage of female social enterprise directors. This pay gap is larger than for paid employees in the UK (Estrin et al., 2014). Despite this pay gap, male and female social enterprise directors show similar well-being, i.e. they are equally happy with their jobs. We controlled for multiple possible explanations such as differences in human capital, risk preferences, job and social enterprise characteristics. These factors did not fully account for the pay gap. As social enterprise directors, social entrepreneurs set their own pay. This raises the question whether women are undervaluing their work – or whether male social entrepreneurs pay themselves too much?

**Age.** Both younger but especially older individuals show a higher propensity to engage in social entrepreneurship relative to people mid-life (30 to 50), to those in paid employment, and to those engaging in commercial entrepreneurship. The typically observed inverse U-shaped relationship between commercial entrepreneurship and age flips and becomes a U-shaped relationship for social entrepreneurship (Hoogendorn et al., 2016). These findings suggest that social entrepreneurship may be one route that can support successful aging, as entrepreneurship more generally is associated with well-being and health benefits<sup>3</sup>.

**Human Capital.** In terms of general human capital, social entrepreneurs were especially likely to be highly educated individuals (with a university degree) more so than commercial entrepreneurs. The opposite was the case for entrepreneurship-specific human capital (entrepreneurial skills). Considering the cost of university education, this pattern highlights an aspect of lack of inclusivity.

<sup>1</sup> SELUSI is the predecessor of the SEFORIS project and social enterprise survey.

<sup>2</sup> See for instance the SEFORIS cross-country report at [www.seforis.eu/cross-country-report](http://www.seforis.eu/cross-country-report).

<sup>3</sup> For the well-being and health benefits of entrepreneurship see for instance Stephan, U. and Roesler, U. (2010), Health of entrepreneurs versus employees in a national representative sample. *Journal of Occupational and Organizational Psychology*, 83: 717–738. <http://onlinelibrary.wiley.com/doi/10.1348/096317909X472067/abstract>

**Summary and relationships between social and commercial entrepreneurship.** The evidence that we generated suggests that social entrepreneurship attracts more women, younger and older individuals as well as the more highly educated (with university-level education) compared to commercial entrepreneurship. At the same time, we observe positive spill-over effects from social to commercial entrepreneurship – at the national and at the individual level (Estrin et al., 2013; 2016). More individuals start commercial enterprises in nations where social entrepreneurship is more common. At the national level, widespread social entrepreneurship supports the building of social capital and helps to open up new market opportunities for commercial entrepreneurship. Similarly, once individuals become social entrepreneurs they have a high propensity to also start a commercial enterprise (as well as another social enterprise). This is likely due to learning and confidence-building effects associated with being a social entrepreneur. In sum, this evidence suggest that (1) social enterprise attracts new talent into entrepreneurship rather than competing for talent with commercial entrepreneurship and in this way (2) social entrepreneurship contributes to making commercial entrepreneurship and business in general more inclusive.

**What are the mechanisms and strategies through which social enterprises may stimulate positive social change towards inclusive societies?**

This question was addressed through a systematic evidence review (Stephan, Patterson, Kelly & Mair, 2016). The review revealed two strategies through which social enterprise can stimulate positive social change (PSC): Deep- and Surface-level PSC Strategies (Figure 1). These strategies are a combination of change mechanisms (that describe how specific actions by the social enterprise impact their beneficiaries towards changing their behaviours) and organisational practices that enable these mechanisms (especially for deep-level strategies). The two strategies also differ in the nature of social impact that they bring about. The evidence review finds that the framework is applicable across different social issue domains (from alleviating social and economic exclusion, to furthering health, pro-environmental behaviours and civic engagement).

*In Deep-level PSC strategies*, social enterprises work closely with their beneficiaries to simultaneously stimulate their beneficiaries intrinsic motivations, develop their skills and capabilities and to create empowering opportunity structures. Deep-level strategies are enabled by a set of inclusive organisational practices. These describe ways of organising the enterprise that further facilitate close engagement with beneficiaries, for instance through including beneficiaries directly in the social enterprise’s governance structures and process. Other organisational practices enable the social enterprise to coordinate networks, collaborate extensively with other stakeholders, and leverage locally existing solutions. Deep-level strategies lead to slowly evolving, sustainable and pervasive social impact that is difficult to undo, because it is based on a transformation of beneficiaries and their environments.

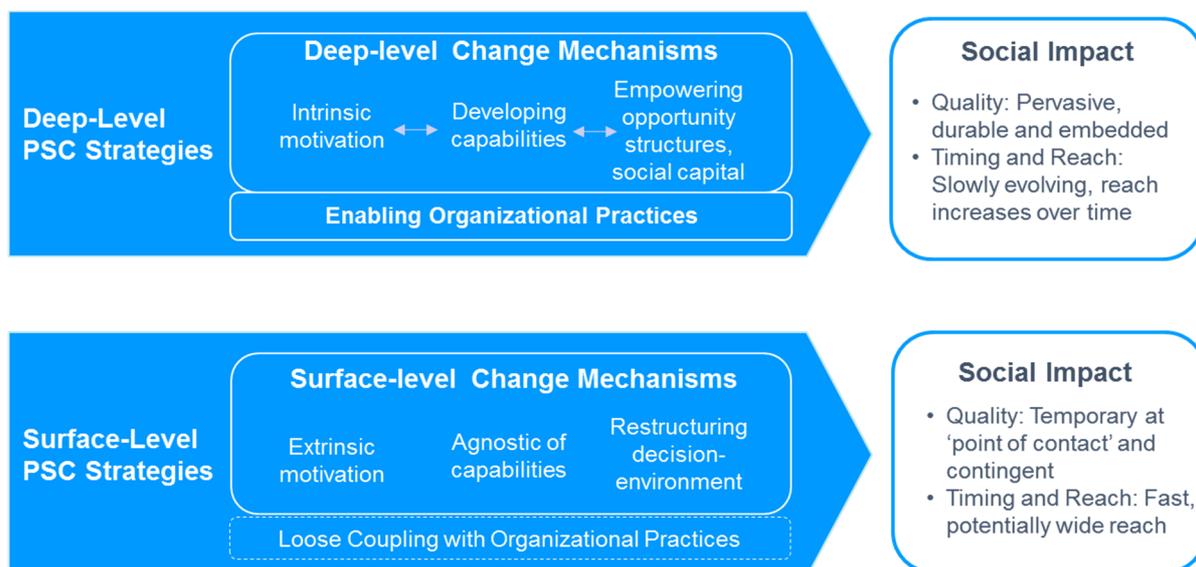


Figure 1: Positive Social Change Framework, Stephan et al. (2016), p.1257

*Surface-level PSC strategies* leverage extrinsic motivations or restructure decision environments to stimulate change in beneficiaries<sup>4</sup>. These strategies can be effective, especially for less complex behaviours and needs, and potentially to start social change projects when either the beneficiaries or the social enterprise are not yet willing or able to engage in a deeper way. Social impact can take hold immediately, but is unlikely to be durable once an extrinsic motivation or a restructured decision environment is removed.

The framework also identifies *conditions and contingencies* for the effectiveness of the strategies in the form of the three change levers and organizational practices. The three change levers are capability, motivation and opportunity (Figure 2). For instance, attempts to further social inclusion may fail if efforts solely focus on shaping opportunity structures (e.g. providing microfinance loans) but do not simultaneously develop beneficiaries capabilities and motivation (e.g., business skills and ambitions of microfinance clients). A further condition for the effectiveness of the deep-level PSC strategies is the presence of enabling organisational practices (these are described in detail in Stephan et al., 2016). This contingency is a direct consequence of the uncertain, empowering and slowly evolving nature of deep-level change, which requires the social enterprise to be open to stakeholder influences and act in relational manner building broad networks and coalitions. It also recognizes the need for a social enterprise to deeply embed itself in and understand the local context of its beneficiaries. Emerging evidence further suggests that organisational practices need to be closely aligned and consistent with each other (Stephan & Huysentruyt, 2016).

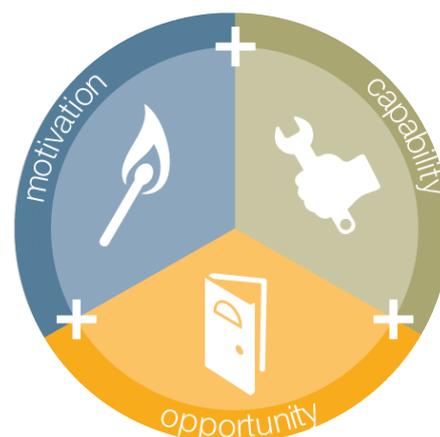


Figure 2: Change Levers

Underlying the two PSC strategies, the review identified an inventory of 17 specific action mechanisms describing how social enterprises can engage with beneficiaries to create sustainable social impact, and 12 enabling organizational practices that highlight implications for the internal organisation of the social enterprise as well as how the enterprises can reach out to work with others and build coalitions for positive social change. This inventory can help social enterprises to design more impactful ‘social impact’ strategies as well as to diagnose where to intervene when their efforts are stuck.

## POLICY IMPLICATIONS AND RECOMMENDATIONS

The evidence summarized here suggests that social enterprises can help to make business more inclusive and to create inclusive societies. Yet the evidence also suggests important nuances, for instance with regard to gender pay gaps at the top of social enterprises and the role of higher education. Notwithstanding such nuances, the current evidence offers several policy implications.

The finding that social entrepreneurship attracts new talent (women, older aged individuals, the more highly educated) into entrepreneurship and that there are *positive* spill-over effects from social to commercial entrepreneurship, provides policy makers with additional reasons to back social entrepreneurship. Supporting social entrepreneurship also benefits commercial entrepreneurship. Indeed, social entrepreneurship acts as one important channel that helps to make commercial entrepreneurship and ultimately business more inclusive.

<sup>4</sup> Examples are the use of reputation and social norm pressure (both extrinsic motivators) to elicit charitable donations or the use of traffic light food-labelling to change consumers buying behaviours towards healthier foods.

The Positive Social Change (PSC) framework based on a systematic evidence review has several implications. These relate to implications for the measurement of social impact (and in turn the timing of support measures and access to finance) and to new opportunities to stimulate positive social change (in the form of the surface-level strategies). More generally, the framework points to the limits of applying existing management knowledge to social enterprises, because existing knowledge has predominantly evolved out of research on an entirely different set of (for-profit) organisations and assumptions about the purpose of enterprise (Stephan et al., 2016 for details).

*Social impact measurement.* Stimulating positive social change is a process that unfolds over time. Especially for social enterprises that typically seek to mobilize deep-level change strategies, the evidence review documented just how lengthy and uncertain the development of social impact can be. Often social change efforts were de-railed by lack of resources or resource providers pushing to see evidence of social impact before social impact had a chance to develop. This reiterates calls for patient capital and long-term access to finance, but also for a process approach to documenting evolving social impact. Specifically, measures of the change levers (motivation, capability and opportunity) can function as *process* indicators. They complement and can be easily incorporated in existing social impact measurement approaches such as those based on developing a Theory of Change and LOGIC models<sup>5</sup>. A focus on change levers appreciates that creating social impact is not fully under the control of a particular social enterprise (it is determined by multiple factors and actors) and takes considerable time to materialize. In the meantime, the provision of government support or funding could be evaluated against progress in relevant process indicators capturing the development of beneficiary motivation, capabilities and opportunity structures.

*New opportunities to stimulate positive social change.* The PSC framework highlights that issues of the 'depth of change' and particularly surface-level strategies are largely overlooked to date. The evidence review indicated that these strategies, if well designed, can be effective and nearly immediately so. They may be particularly useful, for less complex behaviours, to start social change projects when either the beneficiaries or the social enterprise are not yet willing or able to engage in a deeper way, and to complement deeper-level strategies. Surface-level strategies may also offer for-profit companies a possibility to engage in addressing social issues in an authentic way (without requiring them to fundamentally reconfigure their organisation). To tap into the opportunities that surface-level PSC strategies offer, policy makers could recognize and draw attention to these strategies.

## RESEARCH PARAMETERS

SEFORIS is a flagship multi-disciplinary, multi-method international research project on social enterprise funded by the European Commission. Through the generation of robust evidence and internationally leading research, SEFORIS aims to better understand the role that social enterprises play in the EU and beyond in the development and evolutions of inclusive and innovative societies.

SEFORIS investigated key processes through which social enterprises deliver inclusion and innovation (spanning a range of domains, from organisation and governance, over financing and innovation to behavioural change) as well as the contexts in which social enterprises thrive. In terms of methodology, we started from policy and social enterprise practitioner questions and challenges together with critically scrutinising existing academic literature. We used this first step to develop theoretical frameworks that then serve as a basis for thinking systematically about innovation and inclusion processes in context. This was followed by field and lab experimentation

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<sup>5</sup> See, for instance, GECES Subgroup on Impact Measurement (2014). *Proposed Approaches to Social Impact Measurement in European Commission legislation and in practice relating to: EuSEFs and the EaSI*. [http://ec.europa.eu/internal\\_market/social\\_business/docs/expert-group/social\\_impact/140605-sub-group-report\\_en.pdf](http://ec.europa.eu/internal_market/social_business/docs/expert-group/social_impact/140605-sub-group-report_en.pdf) and Hehenberger, L., Harling, A.M., and Scholten, P. (2013). *A Practical Guide to Measuring and Managing Impact*. EVP A Knowledge Centre. <http://evpa.eu.com/knowledge-centre/how-to-practice-vp/imi-impact-measurement-initiative/>

with social enterprises and in-depth case studies to expand and enrich our understanding of social enterprises. Unique longitudinal survey data will be collected across 9 distinct countries to test new (and at times counterintuitive) hypotheses to reach novel insights and generalizable conclusions. We engage policy makers and social enterprises throughout the research process to ensure that our research is relevant for them and can inform their practice. The project is divided into 10 work packages. WP1 to WP3 are mainly concerned with data collection. WP4 through WP8 different themes are studied and analysed. In WP9 results are disseminated and timely transfer of knowledge is ensured, while the objective of WP10 is to ensure successful delivery of the project through effective coordination.

- WP1: Development of new evidence through interaction with key stakeholders
- WP2: DEEP DIVE: Development of 25 in-depth cases of SEs in Europe and beyond
- WP3: SELUSI 2.0 DATA on 1000 social enterprises in 9 nation states
- WP4: The organization of social enterprises in market and society
- WP5: The private and public finances of social enterprises
- WP6: The innovations of social enterprises
- WP7: Social enterprise in context
- WP8: Social enterprises and their impacts
- WP9: Dissemination and valorization
- WP10: Governance and project management

## PROJECT IDENTITY

<b>PROJECT NAME</b>	Social Entrepreneurship as a Force for more Inclusive and Innovative Societies (SEFORIS)
<b>COORDINATOR</b>	Koenraad Debackere, KU Leuven Leuven, Belgium koenraad.debackere@kuleuven.be
<b>CONSORTIUM</b>	Aston University – Aston – Birmingham, United Kingdom Centre for Economic and Financial Research – CEFIR – Moscow, Russia Hertie School of Governance – HSOG – Berlin, Germany I-Propeller NV – I-Propeller – Brussels, Belgium Katholieke Universiteit Leuven – KU Leuven – Leuven, Belgium Libera Università Internazionale degli Studi Sociali Guido Carli – LUISS – Rome, Italy NESsT Europe Nonprofit Korlatolt Felelossegu Tarsasag – NESsT – Timisoara, Romania Non-Profit Incubator – NPI – Shanghai, China Oksigen Lab - Brussels, Belgium Stockholm Institute for Transition Economics – SITE – Stockholm, Sweden The Foundation for Social Entrepreneurs LBG – UNLTD – London, United Kingdom Universidade de Aveiro – UAVR – Aveiro, Portugal
<b>FUNDING SCHEME</b>	FP7 Framework Programme for research, technological development and demonstration under grant agreement no 613500.
<b>DURATION</b>	January 2014 – April 2017 (40 months).
<b>BUDGET</b>	EU contribution: 2,483,908.40 €.
<b>WEBSITE</b>	<a href="http://www.seforis.eu">www.seforis.eu</a>

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**FOR MORE  
INFORMATION**

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**FURTHER READING**

Estrin, S., Mickiewicz, T. & Stephan, U. (2016). Human Capital, Social and Commercial Entrepreneurship. *Journal of Business Venturing*, 31(4), 449-467.  
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Hoogendoorn, B., de Kok, J., Stephan, U., Uhlaner, L., van der Zwan, P. (2016). *Age and new business creation: social and commercial businesses*. Paper presented at RENT conference, Antwerp, Belgium.

Stephan, U., Patterson, M., Kelly, C. & Mair, J. (2016). How organizations drive Positive Social Change: A Review and an Integrative Framework. *Journal of Management*, 42(5), 1250-1281.  
<http://journals.sagepub.com/doi/full/10.1177/0149206316633268>

For a nontechnical introduction to the Positive Social Change Framework see the SEFORIS MOOC [www.seforis.eu/mooc/](http://www.seforis.eu/mooc/) or <https://youtu.be/Kfu6j6M-BOq>

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[https://ssir.org/articles/entry/resisting\\_temptation](https://ssir.org/articles/entry/resisting_temptation)